

ENDOWMENT FUNDS – HISTORY, PRESENT AND FUTURE

Background

In 1890 the Federal government granted 3.6 million acres to Idaho to support six basic areas of state government: Public Schools, the Agricultural College, Charitable Institutions (several), Normal schools, the Penitentiary and Public Buildings. Since that time the amount of endowment land has decreased because of sales to approximately 2.5 million acres.

Only the interest earned from the sale of lands and income from other uses such as mining and grazing was allowed to be expended. The Department of Lands collects the annual lease payments and the interest income is provided by the Endowment Fund Investment Board (EFIB) from the investment of the Permanent Fund. The principal (from sale of endowment lands) was placed in a permanent endowment and was never to be spent. In FY 2000 there was approximately \$1.125 billion invested by the EFIB.

The normal school (former name for teacher colleges) allocation is dedicated to teacher education programs at Idaho State University (in place of the Albion Normal School after it closed) and Lewis-Clark State College. The "Charitable Institutions" pool of endowment revenue is distributed to several other entities, including School for Deaf and Blind, Juvenile Corrections - Youth Training Center, Idaho State University, Veteran's Home, and State Hospital North.

The Present

In total, endowment lands are expected to generate approximately \$64 million of revenue in FY 2001 to the agencies and institutions noted above; slightly more than \$44 million to public schools alone. The accompanying schedule displays revenue, expenditures and the Executive Budget recommendation for the various endowment funds, including the specific normal school and charitable institution allocations.

The Future

A major change has begun regarding how Idaho's endowment lands and related revenue will be managed. A legislative committee presented its findings and recommendations in December, 1996. During the 1998 session, a package of four pieces of legislation was passed to address the issue. Another statute created the Idaho State Capitol Commission, a group with the responsibility for creating a master plan for the restoration and refurbishment of the Capitol building and its interior furnishings. This project will be funded in part from separate endowment and income funds, which were created. The proposed changes will take effect beginning July 1, 2000 (state fiscal year 2001).

The FY 2001 Executive Budget recommendation contains funding levels for endowment agencies with an approximate 5% increase over FY 2000 expected revenues, based upon Endowment Fund Investment Board projections.

ENDOWMENT FUND

ENDOWMENT FUND REVENUE

FY 1999 - 2001

| | Fiscal Year 1999 Actual Revenues | Fiscal Year 2000 Estimated Revenues | Fiscal Year 2001 Executive Recommendation |
|---------------------------------|---|--|--|
| Endowment Fund Title | | | |
| Public Schools | 41,331,100 | 42,700,000 | 44,700,000 |
| Penitentiary | 1,200,994 | 1,120,000 | 1,187,600 |
| State Hospital South | 1,716,600 | 1,965,000 | 1,850,000 |
| University of Idaho | 2,627,030 | 2,860,000 | 2,996,500 |
| Agricultural College/U of I | 873,990 | 905,000 | 1,095,700 |
| Scientific School/U of I | 3,535,388 | 3,675,000 | 3,140,400 |
| Normal School * | 3,312,164 | 3,555,000 | 3,933,500 |
| Charitable Institutions ** | 3,840,734 | 3,735,000 | 3,943,400 |
| Capitol Building | 645,713 | 800,000 | 585,100 |
| Department of Lands *** | 4,933,400 | 9,072,700 | 12,378,800 |
| Endowment Fund Investment Board | 0 | 0 | 623,000 |
| TOTAL | \$64,017,113 | \$70,387,700 | \$76,434,000 |

* Normal School Allocation - Lewis-Clark State College and Idaho State University (ISU) each receive 50% of the normal school revenues.

** Charitable Institution Allocation - several agencies receive a share of this allocation, as follows: School for Deaf & Blind (1/30th), Veterans Home (5/30th), Juvenile Corrections (8/30th), ISU Income (8/30th), State Hospital North (8/30th).

*** Lands has previously used endowment funds, but the amount will increase beginning in FY 2001; the Endowment Fund Investment Board has historically been funded from the General Fund, but will be shifted to Endowment Funds beginning in FY 2001.